TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 721 – SB 777

April 13, 2015

SUMMARY OF ORIGINAL BILL: Exempts motor vehicles three years old or less, which have odometer readings less than 36,000 miles at the time of sale by a motor vehicle manufacturer or a licensed motor vehicle dealer, from vehicle emissions inspection requirements, provided the owner or operator provides an affidavit on a form prescribed by the Department of Environment and Conservation (TDEC) certifying that the vehicle meets the specified criteria. This act shall be effective on January 1 following the date on which the United States Environmental Protection Agency approves a revised state implementation plan.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue –
$90,000/FY16-17/Environmental Protection Fund
$180,000/FY17-18 and Subsequent Years/Environmental Protection Fund

Decrease Local Revenue – $137,500/FY16-17
$275,000/FY17-18 and Subsequent Years

SUMMARY OF AMENDMENTS (003861, 006196): Amendment 003861 removes the mileage provision from the original bill such that all motor vehicles three years old or less are exempt from vehicle emissions inspection requirements and removes the provision requiring the owner or operator to provide an affidavit on a form prescribed by the Department of Environment and Conservation (TDEC) certifying that the vehicle meets the specified requirements; changes the rule promulgating authority from TDEC to the Air Pollution Control Board; adds language that if a contract exists on January 1 between the department and a contractor or a local pollution control program and a contractor providing inspection services, then this Act shall take effect in the jurisdictions covered by the contract upon the date of the contract's termination or expiration or the effective date of the contract's renewal or an applicable amendment to the inspection service fee of such contract; requires the Commissioner or chief public officer of the local pollution control program to certify in writing the date of the department's or local pollution control program's contract termination, expiration, or effective date of the contract's renewal or an applicable amendment to the inspection service fee of contract, and provide the executive secretary of the commission a signed copy of the document, if contacts exists on January 1.

Amendment 006196 requires the Air Pollution Control Board to adjust inspection and maintenance program fees as necessary to cover the costs of the program.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Impact - There is potentially a recurring decrease in local revenue for Metro Nashville in the amount of approximately $175,000. However, the timing of this impact cannot be precisely determined because it is contingent on both an action by the EPA, to approve Tennessee's state implementation plan, and the renewal of Nashville's contract for vehicle emissions testing, currently set to expire June 30, 2015. Under current circumstances, it seems likely that Nashville's vehicle emissions testing contract will be extended before the EPA acts on the state implementation plan. Thus, any impact of the bill on revenue to Metro Nashville would be delayed.

Assumptions for the bill as amended:

- Amendment 006196 is presumed to be applicable to the state contract; and not be applicable to the Metro Nashville Davidson County contract.
- TDEC estimates that the bill will not take effect until January 1, 2017, to allow for rulemaking and approval from the U.S. Environmental Protection Agency (EPA).
- However, based on the information received from TDEC, Metro Nashville contract is set to expire June 30, 2015 (prior to the estimated EPA approval date) and the state's contract is set to expire June, 30, 2019.
- Metro Nashville's contract is likely to be extended for an unknown period of time under current law. The current contract contains a provision allowing an extension of up to five years. Passage of this bill could result in Metro Nashville extending their contract for a period of time that would be different than the period of time that would occur under current law. As a result, the first year impact to local government (Metro Nashville) cannot be determined with reasonable certainty.
- The first year of the amended bill's impact on the state government is estimated to be FY19-20.
- According to TDEC, Metropolitan Nashville/Davidson County manages its own program. The state manages programs in all other counties through a third-party contracting fee of $9.00 for each vehicle tested.
- For each program except for Metropolitan Nashville/Davidson County (MN-DC) program, $1.00 is allocated to the county clerk who processes a registration; $1.80 is allocated to TDEC, and $6.20 is retained by the third party vendor.
- TDEC does not receive any portion of the $9.00 fee collected from the MN-DC program. The $9.00 fee for the MN-DC program is allocated $3.50 to MN-DC and $5.50 to the third party vendor.
- TDEC estimates that approximately 100,000 vehicles will be exempted in any given year from the emissions requirement relative to all programs except for the MN-DC program; and 50,000 vehicles will be exempt in any given year under the MN-DC program.
- Relative to all programs, except for the MN-DC program, the recurring decrease in state revenue to TDEC is estimated to be $180,000 (100,000 vehicles x $1.80 allocation) beginning in FY19-20.

- Relative to all programs, except for the MN-DC program, the recurring decrease in local revenue is estimated to be $100,000 (100,000 vehicles x $1.00 allocation).
- Given that amendment 006196 authorizes the Air Pollution Control Board to adjust inspection fees and maintenance program fees (relative to the state contract) as necessary to cover the costs of the program, the Board is assumed to increase inspection fees beginning in FY19-20 by approximately $0.40 for 700,000 vehicles which are older than three years old. This will result in a recurring increase in inspection fee revenue of $280,000 (700,000 vehicles x $0.40) beginning in FY19-20.
- It is presumed that $180,000 of this new inspection fee revenue will be allocated to the state to offset the $180,000 loss of revenue attributable to exempting vehicles which are less than three years old. In addition, $100,000 of this new revenue is presumed to be allocated to the county clerks in order to hold them harmless from the loss of revenue attributable to exempting vehicles which are less than three years old.
- Relative to the MN-DC program, the recurring decrease in local revenue is estimated to be $175,000 (50,000 vehicles x $3.50).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding

Jeffrey L. Spalding, Executive Director

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